

WHATCOM COUNTY, WASHINGTON
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The Public Works Department Should Follow Established Bid Policies For Awarding All Projects

During our review of the public works department we noted that the department did not follow established bid policies for awarding all projects. The following weaknesses were noted:

- a. Phone quotes were sought by the public works department for purchases of asphalt even though the annual bids had already been awarded by the county council.
- b. Vendor invoices for asphalt purchased through the aforementioned phone quotes did not provide sufficient detail to determine if the vendors complied with the contracts awarded.
- c. In at least one case, an annual purchasing contract for asphalt was awarded to a vendor for a variable price. If the cost of asphalt rose during the year above a certain dollar amount, the vendor's bid reset the sales price to the average of published prices of three competing vendors. Due to the flexibility of the bid throughout the year, the county could not at the time of the award satisfactorily determine if it had been made to the lowest responsible bidder.

The purchasing policy adopted by the Whatcom County Council states in part:

All purchases must follow the bid requirements established by the Whatcom County Code. Purchases may not be split to avoid bid requirements.

The dollar amount involved is the total of all payments to be made by the County.

Intentional avoidance of the bid laws will be treated as a violation of R.C.W. 39.30.020. The penalties include a fine and forfeiture of office.

The county public works department's management has indicated they were not aware that they were not complying with established purchasing/bidding policies. When the established purchasing and bidding policies are not followed, the county's management cannot assure the public that the most prudent use of tax dollars is occurring.

We recommend that the county follow established purchasing and bidding policies and procedures.

2. The Fixed Asset Recording System Should Contain Information Required By Federal Grant Requirements And The Fixed Asset Control System Should Be Strengthened

During our audit of the county's fixed asset system we noted the following weaknesses:

- a. The county's fixed asset records do not identify the source of funds used to acquire assets or who holds title to the property. Nor do they include information on the disposition of the assets.
- b. The county does not have an accurate subsidiary fixed asset inventory ledger. An accurate ledger should be used to reconcile to and aid in yearly physical inventory counts of fixed assets. Because the ledger is neither accurate nor used for reconciliation purposes, the county does not know if all assets purchased with public funds are being used for public purposes.
- c. There is no system in place for recording or approving fixed assets determined to be ready for disposal.
- d. All assets are not tagged with numbers which identify them as county property and aid in reconciliation to the subsidiary ledger.
- e. The county does not have an adequate system for reducing the related account in the general fixed asset account group when assets are contributed to the equipment rental fund. These assets are incorrectly duplicated in the accounts of both the proprietary fund and the account group.
- f. During our audit we selected twenty items from county records to physically confirm to the actual assets. The county was unable to provide us with the location of three of the assets. These assets were comprised of a battery charger, a Wang PC computer, and an elections computer. Even with the assistance of county employees, we were unable to find the items. As a result, we were unable to determine if these assets are still being used for public purposes.

RCW 43.09.200, Division of Municipal Corporations) *Uniform System of Accounting*, states in part:

The accounts shall show the receipt, use, and disposition of all public property

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required of all local governments, regardless of size. In addition, fixed asset accounting is required for cities and counties of over 8,000 population

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

Additionally, the "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements To State and Local Governments* prescribed by U.S. Office

of Management and Budget (OMB), states in part:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property and any ultimate disposition data including the date of disposal and sale price of the property.

County officials have stated that their present financial accounting system is not capable of properly accounting for their fixed assets. In addition, because the county's fixed asset records do not identify the source of funds to acquire them, indicate the title holder, or contain disposition information, the county has failed to comply with the requirements of the "Common Rule" and the specific requirements of most grants. These deficiencies can impair the county's eligibility for future federal assistance. When an adequate fixed asset system is not in place, the possibility of errors and irregularities occurring and not being detected in a timely manner, if at all, greatly increases.

We recommend that county officials strengthen the current fixed asset internal control system to ensure that county property is appropriately protected from theft and accounted for properly.

We again recommend county officials develop a fixed asset accounting system capable of demonstrating compliance with federal grantor requirements.

3. The County Public Works Department's Work Order System Needs To Be Strengthened

During our review of the county's work order system, we again noted that the system is inadequate and needs to be strengthened. For the large maintenance type jobs, there is inadequate source documentation to support materials charged to federal financial programs as well as other user departments. These inadequately supported charges include, but are not limited to, gravel, culvert, and bridge timbers.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements To State and Local Governments* prescribed by U.S. Office of Management and Budget (OMB), states in part:

Fiscal control and accounting procedures . . . must be sufficient to)
Permit the tracing of funds to a level of expenditures adequate to
establish that such funds have not been used in violation of the
restrictions and prohibitions of applicable statutes.

Effective control and accountability must be maintained . . . (Emphasis
added.)

RCW 43.09.200, Division of Municipal Corporations) *Uniform System of Accounting*,
states in part:

The system shall exhibit true accounts and detailed statements of funds
collected, received, and expended for account of the public for any
purpose whatever, and by all public officers, employees, or other
persons.

The accounts shall show the receipt, use, and disposition of all public
property, and the income, if any derived therefrom; all sources of public
income, and the amounts due and received from each source; all
receipts, vouchers, and other documents kept, or required to be kept,
necessary to isolate and prove the validity of every transaction

RCW 43.09.210, Division of Municipal Corporations) *Separate Accounts for Each Fund
or Activity*, states in part:

All service rendered by, or property transferred from, one department,
public improvement, undertaking, institution, or public service industry
to another, shall be paid for at its true and full value by the department,
public improvement, undertaking, institution, or public service industry
receiving the same, and no department, public improvement,
undertaking institution, or public service industry, shall benefit in any
financial manner whatever by an appropriation or fund made for the
support of another.

Public works department's management contends that the computer system operating during 1992 did not have the capability of handling a work order system. The public works department's management did improve the work order system as it relates to equipment parts. When the work order control system is inadequate it is impossible to determine if materials charged to the federal programs as well as other user departments and the public are accurate and proper.

We again recommend that the county continue to work towards implementing an adequate

work order control system.

4. The County's Accounting System Should Identify Grant Expenditures By Grant Program

As noted in prior years, expenditures of federal funded grants are not classified in the accounting records separately from nongrant funded expenditures. Grant expenditure identification is available in decentralized departmental locations only.

The federal Office of Management and Budget, Circular A-102, Attachment G, establishes uniform requirements for grant recipient accounting systems:

Grantee financial management systems shall provide for . . . Accurate, current and complete disclosure of the financial results of each grant program . . . (Emphasis added.)

In addition, the *Budgeting, Accounting and Reporting System* (BARS) manual, Volume 1, Part 3, Chapter 5, page 4, prescribed by the Washington State Auditor's Office states:

At the inception of a grant . . . one or more project codes shall be assigned locally to identify the particular grant. This coding must be incorporated into the basic coding structure the municipality uses to identify all its transactions.

County officials have stated that their present financial accounting system is not capable of providing project coding. Without grant expenditure coding, we were unable to identify grant expenditures from the county's centralized financial accounting system. Further, internal controls over grant reporting are weakened without specific identification of grant expenditures.

We again recommend that county officials implement procedures to allow grant financial transactions to be identified in the county's centralized financial accounting system.